



VILLAGE OF DETOUR  
Chippewa County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Village of DeTour	<b>County</b> Chippewa
<b>Audit Date</b> March 31, 2005	<b>Opinion Date</b> June 17, 2005	<b>Date Accountant Report Submitted to State:</b> September 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

VILLAGE OF DETOUR  
Chippewa County, Michigan

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Chippewa County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

TEL (989) 894-1040  
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June 17, 2005

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Village of DeTour, Chippewa County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of DeTour's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Village of DeTour, Chippewa County, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

In accordance with Government Auditing Standards, we have also issued our report dated June 17, 2005, on our consideration of the Village's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

VILLAGE OF DETOUR  
Chippewa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Village of DeTour covers the Village's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$524,549.93 for governmental activities and \$3,773,815.94 for business activities. Overall total capital assets remained approximately the same.

Overall revenues were \$370,425.27 from governmental activities and \$194,877.35 from business-type activities. Governmental activities had a \$23,319.61 increase in net assets. Business-type activities had a \$638,943.23 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities and business-type activities. These include the General Fund, Major Street Fund, Local Street Fund, Housing Fund, Debt Service Fund, Water Fund and the Sewer Fund.

VILLAGE OF DETOUR  
Chippewa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

**Governmental Funds:** Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, Major Street Fund, Local Street Fund, Housing Fund, and the Debt Service Fund.

**Business-Type Funds:** The Village has a Water Fund and Sewer Fund which includes the activity of providing water and Sewer to Village residents.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund had a \$37,307.07 decrease in fund balance. The Major Street Fund had a \$2,335.92 decrease in fund balance. The Local Street Fund had a \$820.30 increase in fund balance. The Debt Service Fund had an \$8,937.16 increase in fund balance.

The Water Fund had a \$691,633.50 increase in net assets and the Sewer Fund had a \$52,690.27 decrease in net assets.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$75,999.00 in capital assets.

The Village's business-type activities invested \$1,144,382.93 in capital assets.

The Village's governmental activities paid \$60,786.14 of principal on long-term debt.

The Village's business-type activities paid \$26,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact the Village Clerk or Village Treasurer at 906-297-5471.

VILLAGE OF DETOUR  
Chippewa County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash in bank	282 158 20	31 980 21	314 138 41
Cash on hand	100 00	100 00	200 00
Taxes receivable	13 379 25	-	13 379 25
Accounts receivable	2 434 00	13 158 55	15 592 55
Due from State of Michigan	12 658 28	-	12 658 28
<b>Total Current Assets</b>	<u>310 729 73</u>	<u>45 238 76</u>	<u>355 968 49</u>
<b>OTHER ASSETS:</b>			
Cash in bank – restricted	-	66 782 41	66 782 41
<b>Total Other Assets</b>	<u>-</u>	<u>66 782 41</u>	<u>66 782 41</u>
<b>CAPITAL ASSETS:</b>			
Capital Assets	879 449 00	5 864 608 77	6 744 057 77
Less: Accumulated Depreciation	(317 104 00)	(1 452 814 00)	(1 769 918 00)
<b>Total Capital Assets</b>	<u>562 345 00</u>	<u>4 411 794 77</u>	<u>4 974 139 77</u>
<b>TOTAL ASSETS</b>	<u>873 074 73</u>	<u>4 523 815 94</u>	<u>5 396 890 67</u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	2 181 94	-	2 181 94
Bonds payable	-	26 000 00	26 000 00
<b>Total Current Liabilities</b>	<u>2 181 94</u>	<u>26 000 00</u>	<u>28 181 94</u>
<b>NON-CURRENT LIABILITIES:</b>			
Bonds payable	255 000 00	724 000 00	979 000 00
Contracts payable	91 342 86	-	91 342 86
<b>Total Non-current Liabilities</b>	<u>346 342 86</u>	<u>724 000 00</u>	<u>1 070 342 86</u>
<b>Total Liabilities</b>	<u>348 524 80</u>	<u>750 000 00</u>	<u>1 098 524 80</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets,			
Net of Related Debt	216 002 14	3 661 794 77	3 877 796 91
Restricted	42 353 86	66 782 41	109 136 07
Unrestricted	266 194 13	45 238 76	311 432 89
<b>Total Net Assets</b>	<u>524 549 93</u>	<u>3 773 815 94</u>	<u>4 298 365 87</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>873 074 73</u>	<u>4 523 815 94</u>	<u>5 396 890 67</u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF DETOUR  
Chippewa County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Capital Grants - Contributions</u>	
Governmental Activities:				
Legislative	4 181 24	-	-	(4 181 24)
General government	113 693 69	5 767 00	-	(107 926 69)
Public safety	62 321 92	-	-	(62 321 92)
Public works	149 274 10	39 310 48	-	(109 963 62)
Interest on long-term debt	17 634 71	-	-	(17 634 71)
Total Governmental Activities	<u>347 105 66</u>	<u>45 077 48</u>	<u>-</u>	<u>(302 028 18)</u>
Business-Type Activities:				
Water and sewer	<u>224 435 25</u>	<u>194 877 35</u>	<u>667 500 00</u>	<u>-</u>
Total Business-Type Activities	<u>224 435 25</u>	<u>194 877 35</u>	<u>667 500 00</u>	<u>-</u>
Total Government	<u>571 540 91</u>	<u>239 954 83</u>	<u>667 500 00</u>	<u>(302 028 18)</u>
General Revenues:				
Property taxes				167 753 70
State revenue sharing				112 319 13
Interest				3 867 71
Miscellaneous				<u>41 407 25</u>
Total General Revenues				<u>325 347 79</u>
Change in net assets				23 319 61
Net assets, beginning of year				<u>501 230 32</u>
Net Assets, End of Year				<u>524 549 93</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(4 181 24)
-	(107 926 69)
-	(62 321 92)
-	(109 963 62)
-	(17 634 71)
-	(302 028 18)
<u>637 942 10</u>	<u>637 942 10</u>
<u>637 942 10</u>	<u>637 942 10</u>
<u>637 942 10</u>	<u>335 913 92</u>
-	167 753 70
-	112 319 13
1 001 13	4 868 84
-	41 407 25
<u>1 001 13</u>	<u>326 348 92</u>
638 943 23	662 262 84
<u>3 134 872 71</u>	<u>3 636 103 03</u>
<u>3 773 815 94</u>	<u>4 298 365 87</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Major Street</u>	<u>Debt Service</u>	<u>Other Funds</u>
Cash in bank	132 768 44	78 068 76	38 659 68	32 661 32
Cash on hand	100 00	-	-	-
Taxes receivable	9 685 27	-	3 693 98	-
Accounts receivable	-	-	-	2 434 00
Due from State of Michigan	-	9 205 86	-	3 452 42
<b>Total Assets</b>	<b><u>142 553 71</u></b>	<b><u>87 274 62</u></b>	<b><u>42 353 66</u></b>	<b><u>38 547 74</u></b>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>2 181 94</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>2 181 94</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Fund equity:				
Fund balances:				
Reserved	-	-	42 353 66	-
Unreserved:				
Undesignated	<u>140 371 77</u>	<u>87 274 62</u>	<u>-</u>	<u>38 547 74</u>
<b>Total fund equity</b>	<b><u>140 371 77</u></b>	<b><u>87 274 62</u></b>	<b><u>42 353 66</u></b>	<b><u>38 547 74</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>142 553 71</u></b>	<b><u>87 274 62</u></b>	<b><u>42 353 66</u></b>	<b><u>38 547 74</u></b>

The accompanying notes are an integral part of these financial statements.

Total

282 158 20

100 00

13 379 25

2 434 00

12 658 28

310 729 73

2 181 94

2 181 94

42 353 66

266 194 13

308 547 79

310 729 73

VILLAGE OF DETOUR  
Chippewa County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	308 547 79
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	879 449 00
Accumulated depreciation	(317 104 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(255 000 00)
Contracts payable	<u>(91 342 86)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>524 549 93</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR  
Chippewa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended March 31, 2005

	<u>General</u>	<u>Major Street</u>	<u>Debt Service</u>	<u>Other Funds</u>
Revenues:				
Property taxes	121 437 40	-	46 316 30	-
Licenses and permits	5 767 00	-	-	-
State revenue sharing	36 687 25	54 157 12	-	21 474 76
Charges for services	39 310 48	-	-	-
Interest	3 195 12	170 56	290 50	211 53
Miscellaneous	<u>36 423 20</u>	<u>1 535 71</u>	<u>1 647 33</u>	<u>1 801 01</u>
Total revenues	<u>242 820 45</u>	<u>55 863 39</u>	<u>48 254 13</u>	<u>23 487 30</u>
Expenditures:				
Legislative:				
Village Council	4 181 24	-	-	-
General government:				
Elections	14 97	-	-	-
Assessor	100 00	-	-	-
Clerk	4 966 23	-	-	-
Treasurer	6 023 61	-	-	-
Building and grounds	17 881 23	-	-	-
Village hall	14 299 17	-	-	-
Accounting	17 910 92	-	-	-
Attorney	862 11	-	-	-
Unallocated	49 949 45	-	-	-
Public safety:				
Ambulance	28 957 28	-	-	-
Fire protection	14 131 64	-	-	-
Public works:				
Public works	56 245 79	-	-	-
Highways and streets	-	44 660 03	-	36 206 28
Capital outlay	75 999 00	-	-	-
Debt service	<u>39 103 88</u>	<u>-</u>	<u>39 316 97</u>	<u>-</u>
Total expenditures	<u>330 626 52</u>	<u>44 660 03</u>	<u>39 316 97</u>	<u>36 206 28</u>
Excess (deficiency) of revenues over expenditures	<u>(87 806 07)</u>	<u>11 203 36</u>	<u>8 937 16</u>	<u>(12 718 98)</u>
Other financing sources (uses):				
Loan proceeds	50 499 00	-	-	-
Operating transfers in	-	-	-	13 539 28
Operating transfers out	-	(13 539 28)	-	-
Total other financing sources (uses)	<u>50 499 00</u>	<u>(13 539 28)</u>	<u>-</u>	<u>13 539 28</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(37 307 07)</u>	<u>(2 335 92)</u>	<u>8 937 16</u>	<u>820 30</u>
Fund balances, April 1	<u>177 678 84</u>	<u>89 610 54</u>	<u>33 416 50</u>	<u>37 727 44</u>
Fund Balances, March 31	<u>140 371 77</u>	<u>87 274 62</u>	<u>42 353 66</u>	<u>38 547 74</u>

The accompanying notes are an integral part of these financial statements.

Total

167 753 70

5 767 00

112 319 13

39 310 48

3 867 71

41 407 25

370 425 27

4 181 24

14 97

100 00

4 966 23

6 023 61

17 881 23

14 299 17

17 910 92

862 11

49 949 45

28 957 28

14 131 64

56 245 79

80 866 31

75 999 00

78 420 85

450 809 80

(80 384 53)

50 499 00

13 539 28

(13 539 28)

50 499 00

(29 885 53)

338 433 32

308 547 79

VILLAGE OF DETOUR  
Chippewa County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (29 885 53)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(33 081 00)
Capital Outlay	75 999 00

Receipt of debt proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets.

Loan proceeds	(50 499 00)
---------------	-------------

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>60 786 14</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>23 319 61</u></u>
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The accompanying notes are an integral part of these financial statements.



VILLAGE OF DETOUR  
Chippewa County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS  
March 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash in bank	19 938 14	12 042 07	31 980 21
Cash on hand	50 00	50 00	100 00
Accounts receivable	<u>5 301 69</u>	<u>7 856 86</u>	<u>13 158 55</u>
Total Current Assets	<u>25 289 83</u>	<u>19 948 93</u>	<u>45 238 76</u>
<b>OTHER ASSETS:</b>			
Cash in bank – restricted	<u>38 832 68</u>	<u>27 949 73</u>	<u>66 782 41</u>
Total Other Assets	<u>38 832 68</u>	<u>27 949 73</u>	<u>66 782 41</u>
<b>CAPITAL ASSETS:</b>			
Capital Assets	2 151 162 77	3 713 446 00	5 864 608 77
Less: Accumulated Depreciation	<u>(385 600 00)</u>	<u>(1 067 214 00)</u>	<u>(1 452 814 00)</u>
Total Capital Assets	<u>1 765 562 77</u>	<u>2 646 232 00</u>	<u>4 411 794 77</u>
<b>TOTAL ASSETS</b>	<u><u>1 829 685 28</u></u>	<u><u>2 694 130 66</u></u>	<u><u>4 523 815 94</u></u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Current portion of long-term liabilities	<u>11 000 00</u>	<u>15 000 00</u>	<u>26 000 00</u>
Total Current Liabilities	<u>11 000 00</u>	<u>15 000 00</u>	<u>26 000 00</u>
<b>LONG-TERM LIABILITIES:</b>			
Bonds payable	525 000 00	225 000 00	750 000 00
Less current portion	<u>(11 000 00)</u>	<u>(15 000 00)</u>	<u>(26 000 00)</u>
Total Long-Term Liabilities	<u>514 000 00</u>	<u>210 000 00</u>	<u>724 000 00</u>
Total Liabilities	<u>525 000 00</u>	<u>225 000 00</u>	<u>750 000 00</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets,			
Net of Related Debt	1 240 562 77	2 421 232 00	3 661 794 77
Restricted	38 832 68	27 949 73	66 782 41
Unrestricted	<u>25 289 83</u>	<u>19 948 93</u>	<u>45 238 76</u>
Total Net Assets	<u>1 304 685 28</u>	<u>2 469 130 66</u>	<u>3 773 815 94</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>1 829 685 28</u></u>	<u><u>2 694 130 66</u></u>	<u><u>4 523 815 94</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR  
Chippewa County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
BUSINESS-TYPE FUNDS  
Year ended March 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES:			
Service charges	87 977 84	66 951 95	154 929 79
Hydrant rental	19 600 00	-	19 600 00
Miscellaneous	17 466 56	2 881 00	20 347 56
Total Operating Revenues	<u>125 044 40</u>	<u>69 832 95</u>	<u>194 877 35</u>
OPERATING EXPENSES:			
Wages	30 797 90	28 439 75	59 237 65
Fringe benefits	13 605 64	13 432 23	27 037 87
Insurance	4 000 00	3 523 00	7 523 00
Supplies	16 309 99	5 304 81	21 614 80
Repairs and maintenance	5 422 68	1 423 76	6 846 44
Contracted services	1 750 00	1 000 00	2 750 00
Utilities	5 493 56	5 666 41	11 159 97
Miscellaneous	1 582 58	6 100 20	7 682 78
Total Operating Expenses	<u>78 962 35</u>	<u>64 890 16</u>	<u>143 852 51</u>
Operating Income (loss) before depreciation	46 082 05	4 942 79	51 024 84
Less: depreciation	<u>(14 314 00)</u>	<u>(46 418 00)</u>	<u>(60 732 00)</u>
Operating income (loss)	<u>31 768 05</u>	<u>(41 475 21)</u>	<u>(9 707 16)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	323 69	677 44	1 001 13
Federal grant	667 500 00	-	667 500 00
Interest expense	<u>(7 958 24)</u>	<u>(11 892 50)</u>	<u>(19 850 74)</u>
Total Non-operating Revenues (Expenses)	<u>659 865 45</u>	<u>(11 215 06)</u>	<u>648 650 39</u>
Change in net assets	691 633 50	(52 690 27)	638 943 23
Net assets, beginning of year	<u>613 051 78</u>	<u>2 521 820 93</u>	<u>3 134 872 71</u>
Net Assets, End of Year	<u><u>1 304 685 28</u></u>	<u><u>2 469 130 66</u></u>	<u><u>3 773 815 94</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR  
Chippewa County, Michigan

**STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS**  
Year ended March 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	103 282 98	67 648 33	170 931 31
Cash payments to suppliers for goods and services	(48 164 45)	(36 450 41)	(84 614 86)
Cash payments to employees for services	(30 797 90)	(28 439 75)	(59 237 65)
Other operating receipts	<u>22 215 50</u>	<u>-</u>	<u>22 215 50</u>
Net cash provided (used) by operating activities	<u>46 536 13</u>	<u>2 758 17</u>	<u>49 294 30</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal paid on bonds	(11 000 00)	(15 000 00)	(26 000 00)
Interest paid on bonds	(7 958 24)	(11 892 50)	(19 850 74)
Federal grant proceeds	667 500 00	-	667 500 00
Increase in capital assets	(1 144 382 93)	-	(1 144 382 93)
Bond proceeds	<u>477 000 00</u>	<u>-</u>	<u>477 000 00</u>
Net cash provided (used) by capital and related financing activities	<u>(18 841 17)</u>	<u>(26 892 50)</u>	<u>(45 733 67)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	<u>323 69</u>	<u>677 44</u>	<u>1 001 13</u>
Net cash provided (used) by investing activities	<u>323 69</u>	<u>677 44</u>	<u>1 001 13</u>
Net increase (decrease) in cash	28 018 65	(23 456 89)	4 561 76
Cash beginning of year	<u>30 802 17</u>	<u>63 498 69</u>	<u>94 300 86</u>
Cash End of Year	<u><u>58 820 82</u></u>	<u><u>40 041 80</u></u>	<u><u>98 862 62</u></u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Income (loss) from operations	31 768 05	(41 475 21)	(9 707 16)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	14 314 00	46 418 00	60 732 00
Increase (decrease) in receivables	<u>454 08</u>	<u>(2 184 62)</u>	<u>(1 730 54)</u>
Net Cash Provided (Used) in Operating Activities	<u><u>46 536 13</u></u>	<u><u>2 758 17</u></u>	<u><u>49 294 30</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of DeTour, Chippewa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of DeTour. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund

This fund is used to account for long-term debt transactions.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of July 1 and the related property taxes become a lien on March 1 of the following year. These taxes are due on September 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 13.76 mills, and the taxable value was \$12,188,500.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$2,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25-50 years
Equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Village's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$562,345.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Village Council has designated three banks for the deposit of Village funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>380 920 82</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	151 961 21
Uninsured and Uncollateralized	<u>232 200 70</u>
Total Deposits	<u>384 161 91</u>

The Village of DeTour did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	163 166 00	-	-	163 166 00
Buildings	134 578 00	-	-	134 578 00
Equipment	<u>505 706 00</u>	<u>75 999 00</u>	-	<u>581 705 00</u>
Total	803 450 00	75 999 00	-	879 449 00
Accumulated Depreciation	<u>(284 023 00)</u>	<u>(33 081 00)</u>	-	<u>(317 104 00)</u>
Net Governmental Capital Assets	<u>519 427 00</u>	<u>42 918 00</u>	-	<u>562 345 00</u>
<u>Business-Type Activities:</u>				
Water and Sewer Systems	4 720 225 84	1 144 382 93	-	5 864 608 77
Accumulated Depreciation	<u>(1 392 082 00)</u>	<u>(60 732 00)</u>	-	<u>(1 452 814 00)</u>
Net Business-Type Capital Assets	<u>3 328 143 84</u>	<u>1 083 650 93</u>	-	<u>4 411 794 77</u>



VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**Note 5 – Budget Variances**

During the fiscal year ended March 31, 2005, Village expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Accounting	17 900 00	17 910 92	10 92
Capital outlay	20 500 00	75 999 00	55 499 00

**Note 6 – Restricted Assets and Retained Earnings – Reserved**

In accordance with Village ordinances, specific assets of the Water Fund and Sewer Fund have been restricted for the funding of required reserves. These reserves have been established to provide for the revenue bond debt service and replacement of fixed assets.

The following is a composition of the restricted assets as of March 31, 2005.

	<u>Water Fund</u>	<u>Sewer Fund</u>
Cash in bank:		
Bond Reserve Account	16 302 52	21 229 00
Bond and Interest Redemption Account	8 105 16	6 720 73
Water Repair and Replacement Account	10 672 15	-
Water Debt Service Account	<u>3 752 85</u>	<u>-</u>
Total	<u><u>38 832 68</u></u>	<u><u>27 949 73</u></u>

**Bond Requirements**

**Water Supply System:** Bonds maturing the years 1983 to 2012 inclusive, will be subject to redemption prior to maturity, in inverse numerical order, on any interest payment date on or after January 1, 1982, at par and accrued interest to the date of redemption.

The governing ordinance requires the Village to make quarterly deposits in an account designated "Bond and Interest Redemption Fund," an amount sufficient to pay at least one-half of the amount of the interest due on the next ensuing interest due date and one-fourth of the amount of the principal due each January 1.

In addition, the Village is required to deposit in an account designated "Bond Reserve Account," \$125.00 each quarter until there is accumulated the sum of \$10,000.00. Such funds are to be used for payment of bonds and interest as to which would otherwise be default.

**Sanitary Sewer System:** Bonds maturing in the years 1991 to 2018 inclusive, will be subject to redemption prior to maturity, in the inverse numerical order, on any interest payment date on or after January 1, 1990, at par and accrued interest date fixed for redemption.

The governing ordinance requires the Village to make quarterly deposits in an account designated "Bond and Interest Redemption Fund," an amount sufficient to pay at least one-half of the amount of the interest due on the next ensuing interest due date and one-fourth of the amount of the principal due each January 1.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 6 – Restricted Assets and Retained Earnings – Reserved (continued)

In addition, the Village is required to deposit in an account designated "Bond Reserve Account," \$250.00 each quarter until there is accumulated the sum of \$22,000. Such funds are to be used for payment of bonds and interest as to which otherwise be default.

Note 7 – Proprietary Fund Fixed Assets

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
Plant, property & equipment	2 151 162 77	3 713 446 00
Less accumulated depreciation	<u>(385 600 00)</u>	<u>(1 067 214 00)</u>
Net	<u>1 765 562 77</u>	<u>2 646 232 00</u>

Proprietary Fund fixed assets are depreciated using the straight-line method over the estimated useful lives which are fifty years.

Note 8 – Changes in Governmental Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
General obligation bonds payable	280 000 00	-	25 000 00	255 000 00
Contract payable – plow truck	25 130 00	-	25 130 00	-
Contract payable – fire truck	51 500 00	-	-	51 500 00
Contract payable –CAT loader	<u>-</u>	<u>50 499 00</u>	<u>10 656 14</u>	<u>39 842 86</u>
Total	<u>356 630 00</u>	<u>50 499 00</u>	<u>60 786 14</u>	<u>346 342 86</u>

Note 9 – General Obligation Bonds Payable

In 1996, the Village of DeTour sold its general obligation bonds. As of March 31, 2005, the principal balance outstanding on the bonds was \$255,000.00.

<u>Due Date</u>	<u>Principal Amount</u>
10-1-05	25 000 00
10-1-06	30 000 00
10-1-07	30 000 00
10-1-08	40 000 00
10-1-09	40 000 00
10-1-10	45 000 00
10-1-11	<u>45 000 00</u>
Total	<u>255 000 00</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 10 – Contract Payable – Plow Truck

As of March 31, 2005, the principal balance of \$25,130.00 was paid in full.

Note 11 – Contract Payable – Fire Truck

As of March 31, 2005, the principal balance outstanding was \$51,500.00. The interest rate is 4.75% per annum.

<u>Due Date</u>	<u>Principal Amount</u>
5-1-05	3 000 00
5-1-06	3 000 00
5-1-07	3 000 00
5-1-08	4 000 00
5-1-09	4 000 00
5-1-10	4 000 00
5-1-11	4 000 00
5-1-12	4 000 00
5-1-13	4 250 00
5-1-14	4 250 00
5-1-15	4 500 00
5-1-16	4 750 00
5-1-17	4 750 00
Total	<u>51 500 00</u>

Note 12 – Contract Payable – CAT Loader

In 2004, the Village obtained a loan in the amount of \$50,499.00 to fund the purchase of a CAT Loader. The loan requires payment in five annual payments in the amount of \$10,976.24 including interest at the rate of 4.00% per annum. As of March 31, 2005, the principal balance outstanding was \$39,842.86.

Note 13 – 1972 Water Revenue Bonds Payable

In 1972, the Village of DeTour sold its bonds to fund the construction of the water system. As of March 31, 2005, the principal balance outstanding on the bonds was \$53,000.00.

<u>Due Date</u>	<u>Principal Amount</u>
1-1-06	6 000 00
1-1-07	7 000 00
1-1-08	8 000 00
1-1-09	8 000 00
1-1-10	8 000 00
1-1-11	8 000 00
1-1-12	8 000 00
Total	<u>53 000 00</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 14 – 2005 Water Revenue Bonds Payable

In 2005, the Village of DeTour sold \$477,000.00 of its bonds to fund further construction of the water system. As of March 31, 2005, the principal balance outstanding was \$472,000.00 and it is recorded in the Water Fund.

<u>Due Date</u>	<u>Principal Amount</u>
1-1-06	5 000 00
1-1-07	5 000 00
1-1-08	5 000 00
1-1-09	5 000 00
1-1-10	6 000 00
1-1-11	6 000 00
1-1-12	6 000 00
1-1-13	6 000 00
1-1-14	7 000 00
1-1-15	7 000 00
1-1-16	7 000 00
1-1-17	8 000 00
1-1-18	8 000 00
1-1-19	8 000 00
1-1-20	9 000 00
1-1-21	9 000 00
1-1-22	9 000 00
1-1-23	10 000 00
1-1-24	10 000 00
1-1-25	11 000 00
1-1-26	11 000 00
1-1-27	12 000 00
1-1-28	12 000 00
1-1-29	13 000 00
1-1-30	13 000 00
1-1-31	14 000 00
1-1-32	15 000 00
1-1-33	15 000 00
1-1-34	16 000 00
1-1-35	17 000 00
1-1-36	17 000 00
1-1-37	18 000 00
1-1-38	19 000 00
1-1-39	20 000 00
1-1-40	21 000 00
1-1-41	22 000 00
1-1-42	23 000 00
1-1-43	23 000 00
1-1-44	<u>24 000 00</u>
Total	<u>472 000 00</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**Note 15 – 1970 Sewer Revenue Bonds Payable**

In 1970, the Village of DeTour sold its bonds to fund the construction of the sewer system. As of March 31, 2005, the principal balance outstanding was \$225,000.00 and it is recorded in the Sewer Fund.

<u>Due Date</u>	<u>Principal Amount</u>
1-1-06	15 000 00
1-1-07	15 000 00
1-1-08	15 000 00
1-1-09	15 000 00
1-1-10	15 000 00
1-1-11	15 000 00
1-1-12	15 000 00
1-1-13	20 000 00
1-1-14	20 000 00
1-1-15	20 000 00
1-1-16	20 000 00
1-1-17	20 000 00
1-1-18	<u>20 000 00</u>
Total	<u><u>225 000 00</u></u>

**Note 16 – Interfund Transfers**

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Street	<u>13 539 28</u>	Major Street	<u>13 539 28</u>
Total	<u><u>13 539 28</u></u>	Total	<u><u>13 539 28</u></u>

**Note 17 – Deferred Compensation Plan**

The Village does not have a deferred compensation plan.

**Note 18 – Pension Plan**

The Village does not have a pension plan.

**Note 19 – Risk Management**

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 20 – Segment Information for Enterprise Funds

The Village maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended March 31, 2005, is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Operating revenues	125 044 40	69 832 95
Depreciation expense	14 314 00	46 418 00
Change in net assets	691 633 50	(52 690 27)
Operating income (loss)	31 768 05	(41 475 21)
Bonds payable	525 000 00	225 000 00
Net working capital	14 289 83	4 948 93
Net assets	1 304 685 28	2 469 130 66

Note 21 – Building Permits

The Village of DeTour does not issue building permits. Building permits are issued by the County of Chippewa.

VILLAGE OF DETOUR  
Chippewa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	120 000 00	120 000 00	121 437 40	1 437 40
Licenses and permits	6 000 00	6 000 00	5 767 00	(233 00)
State revenue sharing	30 000 00	30 000 00	36 687 25	6 687 25
Charges for services	48 000 00	48 000 00	39 310 48	(8 689 52)
Interest	2 000 00	2 000 00	3 195 12	1 195 12
Miscellaneous	<u>48 500 00</u>	<u>48 500 00</u>	<u>36 423 20</u>	<u>(12 076 80)</u>
Total revenues	<u>254 500 00</u>	<u>254 500 00</u>	<u>242 820 45</u>	<u>(11 679 55)</u>
Expenditures:				
Legislative:				
Village Council	4 020 00	4 225 00	4 181 24	(43 76)
General government:				
Elections	900 00	900 00	14 97	(885 03)
Assessor	100 00	100 00	100 00	-
Clerk	5 050 00	5 070 00	4 966 23	(103 77)
Treasurer	8 100 00	8 150 00	6 023 61	(2 126 39)
Building and grounds	25 600 00	26 200 00	17 881 23	(8 318 77)
Village hall	23 950 00	25 050 00	14 299 17	(10 750 83)
Accounting	16 600 00	17 900 00	17 910 92	10 92
Attorney	1 800 00	1 800 00	862 11	(937 89)
Unallocated	98 237 00	51 962 00	49 949 45	(2 012 55)
Public safety:				
Ambulance	27 155 00	34 105 00	28 957 28	(5 147 72)
Fire protection	17 275 00	17 975 00	14 131 64	(3 843 36)
Public works:				
Public works	52 650 00	58 800 00	56 245 79	(2 554 21)
Capital outlay	20 500 00	20 500 00	75 999 00	55 499 00
Debt service	<u>10 000 00</u>	<u>39 200 00</u>	<u>39 103 88</u>	<u>(96 12)</u>
Total expenditures	<u>311 937 00</u>	<u>311 937 00</u>	<u>330 626 52</u>	<u>18 689 52</u>
Excess (deficiency) of revenues over expenditures	<u>(57 437 00)</u>	<u>(57 437 00)</u>	<u>(87 806 07)</u>	<u>(30 369 07)</u>
Other financing sources (uses):				
Loan proceeds	-	-	50 499 00	50 499 00
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>50 499 00</u>	<u>50 499 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(57 437 00)</u>	<u>(57 437 00)</u>	<u>(37 307 07)</u>	<u>20 129 93</u>
Fund balance, April 1	<u>57 437 00</u>	<u>57 437 00</u>	<u>177 678 84</u>	<u>120 241 84</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>140 371 77</u>	<u>140 371 77</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND  
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	51 700 00	51 700 00	54 157 12	2 457 12
Interest	600 00	600 00	170 56	(429 44)
Miscellaneous	6 500 00	6 500 00	1 535 71	(4 964 29)
Total revenues	58 800 00	58 800 00	55 863 39	(2 936 61)
Expenditures:				
Public works:				
Highways and streets	106 865 00	106 865 00	44 660 03	(62 204 97)
Total expenditures	106 865 00	106 865 00	44 660 03	(62 204 97)
Excess (deficiency) of revenues over expenditures	(48 065 00)	(48 065 00)	11 203 36	59 268 36
Other financing sources (uses):				
Operating transfers out	(12 000 00)	(12 000 00)	(13 539 28)	(1 539 28)
Total other financing sources (uses)	(12 000 00)	(12 000 00)	(13 539 28)	(1 539 28)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(60 065 00)	(60 065 00)	(2 335 92)	57 729 08
Fund balance, April 1	60 065 00	60 065 00	89 610 54	29 545 54
Fund Balance, March 31	-	-	87 274 62	87 274 62



VILLAGE OF DETOUR  
Chippewa County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
March 31, 2005

<u>Assets</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Housing</u>	<u>Total</u>
Cash in bank	78 068 76	23 830 32	8 831 00	110 730 08
Accounts receivable	-	-	2 434 00	2 434 00
Due from State of Michigan	9 205 86	3 452 42	-	12 658 28
Total Assets	<u>87 274 62</u>	<u>27 282 74</u>	<u>11 265 00</u>	<u>125 822 36</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Unreserved:				
Undesignated	87 274 62	27 282 74	11 265 00	125 822 36
Total fund balances	<u>87 274 62</u>	<u>27 282 74</u>	<u>11 265 00</u>	<u>125 822 36</u>
Total Liabilities and Fund Balances	<u>87 274 62</u>	<u>27 282 74</u>	<u>11 265 00</u>	<u>125 822 36</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended March 31, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Housing</u>	<u>Total</u>
Revenues:				
State revenue sharing	54 157 12	21 474 76	-	75 631 88
Interest	170 56	211 53	-	382 09
Miscellaneous	<u>1 535 71</u>	<u>1 801 01</u>	<u>-</u>	<u>3 336 72</u>
Total revenues	<u>55 863 39</u>	<u>23 487 30</u>	<u>-</u>	<u>79 350 69</u>
Expenditures – Public Works:				
Highways and streets:				
Routine maintenance	14 566 19	15 347 83	-	29 914 02
Winter maintenance	16 528 18	15 893 61	-	32 421 79
Administration	<u>13 565 66</u>	<u>4 964 84</u>	<u>-</u>	<u>18 530 50</u>
Total expenditures	<u>44 660 03</u>	<u>36 206 28</u>	<u>-</u>	<u>80 866 31</u>
Excess (deficiency) of revenues over expenditures	<u>11 203 36</u>	<u>(12 718 98)</u>	<u>-</u>	<u>(1 515 62)</u>
Other financing sources (uses):				
Operating transfers in	-	13 539 28	-	13 539 28
Operating transfers out	<u>(13 539 28)</u>	<u>-</u>	<u>-</u>	<u>(13 539 28)</u>
Total other financing sources (uses)	<u>(13 539 28)</u>	<u>13 539 28</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(2 335 92)</u>	<u>820 30</u>	<u>-</u>	<u>(1 515 62)</u>
Fund balances, April 1	<u>89 610 54</u>	<u>26 462 44</u>	<u>11 265 00</u>	<u>127 337 98</u>
Fund Balances, March 31	<u><u>87 274 62</u></u>	<u><u>27 282 74</u></u>	<u><u>11 265 00</u></u>	<u><u>125 822 36</u></u>

# CAMPBELL, KUSTERER & CO., P.C.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 17, 2005

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

We have audited the financial statements of the Village of DeTour, Chippewa County, Michigan, as of and for the year ended March 31, 2005, and have issued our report thereon dated June 17, 2005. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As a part of obtaining reasonable assurance about whether Village of DeTour's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of non-compliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of DeTour's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Campbell, Kusterer & Co., P.C.*  
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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

June 17, 2005

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

### Compliance

We have audited the compliance of Village of DeTour, Chippewa County, Michigan, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2005. Village of DeTour's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Village of DeTour's management. Our responsibility is to express an opinion on Village of DeTour's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of DeTour's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Village of DeTour's compliance with those requirements.

In our opinion, Village of DeTour complies, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

### Internal Control Over Compliance

The management of Village of DeTour is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Village of DeTour's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Campbell Kusterer & Co., P.C.*

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VILLAGE OF DETOUR  
Chippewa County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended March 31, 2005

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:		
Direct programs:		
Rural Development Water Improvement Loan	10.760	477 000 00
Rural Development Water Improvement Grant	10.760	<u>667 382 93</u>
Total Expenditures of Federal Awards		<u><u>1 144 382 93</u></u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended March 31, 2005

There were no prior year findings.

There are no current year findings.

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 17, 2005

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

We have audited the financial statements of the Village of DeTour for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of DeTour in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."



To the Village Council  
Village of DeTour  
Chippewa County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Village of DeTour began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Village is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated March 31, 2005.

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants